

REPORT HIGHLIGHTS

FINANCIAL STATEMENT AUDIT

Subject

Pima County issues financial statements annually for its Department of Wastewater Management. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, we determine whether the County has met its responsibilities.

Our Conclusion

The information in the financial statements is fairly stated, in all material respects, and the financial statements can be relied on.



2004

Year Ended June 30, 2004

The Department's Net Assets Increase

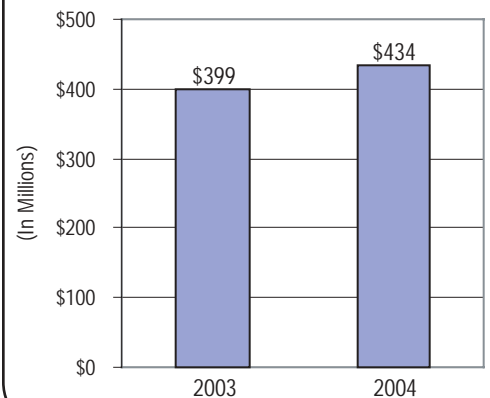
The Department's net assets totaled approximately \$434 million at June 30, 2004, an increase of approximately \$35 million from the prior year. The increase primarily resulted from an increase in sewer system capital assets.

During the year, the Department spent approximately \$25.5 million on sewer system construction projects. The table to the bottom right shows the current-year costs by project, as well as the related costs to-date.

The Department financed its capital asset construction costs by borrowing monies from the Water Infrastructure Financing Authority and increasing its sewer connection rates. The rate increase, along with an increase in developer activity, resulted in sewer connection revenue increasing by more than \$9 million from the prior year.

In addition, sewer system capital assets increased because the Department received approximately \$23 million in capital contributions from land developers. Such contributions were approximately 65 percent, or \$9 million, higher than the prior year because of an increase in developer activity.

Department of Wastewater Management
Net Assets
June 30, 2003 and 2004



Department of Wastewater Management
Sewer System Construction Costs
(In Millions)

Project	2004 Costs	To-Date Costs
Randolph reclamation facility	\$10.1	\$ 39.5
Ina Road treatment plant	3.2	53.6
Roger Road treatment plant	2.8	3.1
Other active construction projects	<u>9.4</u>	<u>56.2</u>
Total	<u>\$25.5</u>	<u>\$152.4</u>

Summarized Department Financial Information

The Department's financial information is presented in three basic statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and Statement of Cash Flows.

The Statement of Net Assets reports all assets and liabilities using the accrual basis of accounting. Net assets, the difference between assets and liabilities, are one way to measure the Department's financial health.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents the Department's operating results, as well as nonoperating revenues, expenses, and other changes.

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement helps users assess the Department's ability to generate net cash flows to meet its obligations as they come due and the need for external financing.

The tables to the right present summarized versions of the Department's Statements of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and Statement of Cash Flows.

Statement of Net Assets June 30, 2004 (In Thousands)

Assets	
Current	\$ 15,608
Restricted	9,626
Capital assets, net	585,773
Other noncurrent	945
Total assets	<u>611,952</u>
Liabilities	
Current	22,264
Noncurrent	156,154
Total liabilities	<u>178,418</u>
Net Assets	
Invested in capital assets, net of related debt	442,713
Restricted	4,283
Unrestricted deficit	(13,462)
Total net assets	<u>\$433,534</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2004 (In Thousands)

Operating revenues	\$ 53,888
Operating expenses	<u>67,372</u>
Operating loss	<u>(13,484)</u>
Nonoperating revenues	31,240
Nonoperating expenses	(4,547)
Other increases, net	21,697
Increase in net assets	<u>34,906</u>
Net assets, July 1, 2003	<u>398,628</u>
Net assets, June 30, 2004	<u>\$433,534</u>

Statement of Cash Flows Year Ended June 30, 2004 (In Thousands)

Cash flows from:	
Operating activities	\$ 4,457
Noncapital financing activities	(9,364)
Capital and related financing activities	11,174
Investing activities	268
Net increase in cash	<u>6,535</u>
Cash and equivalents, July 1, 2003	<u>8,868</u>
Cash and equivalents, June 30, 2004	<u>\$15,403</u>

TO OBTAIN MORE INFORMATION

A copy of the full report
can be obtained by calling
(602) 553-0333



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REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2004